

# Causes & Consequences of Poverty in Pakistan

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## Abstract

*Poverty is a global phenomenon. It exists where people are deprived of the means to satisfy their basic needs mandatory to their survival. Mostly the phenomenon occurs in developing countries of the world, which not only affects them socially but also psychologically. The study focuses on the causes and consequences of poverty in Pakistan and attempts to offer recommendations for its alleviation. Despite, a long list of causes, the research emphasizes on the causes like; the lack of good governance, negligence of agriculture sector, market distortion/high rate of inflation, trade deficit dilemma, discriminatory education policies, unfair distribution of allocation and resources in education across the country, inadequate social sector, corruption and health and other social sectors etc. The paper tries to examine this phenomenon in the context of Pakistan, as to why is it so severe and how it should be dealt?*

## Introduction

According to International Labour Organization poverty is a situation in which a person or household lacks the resources necessary to be able to consume a certain minimum basket of goods. The basket consists either of food, clothing, housing, and other essentials (moderate poverty) or of food alone (extreme poverty). Poverty is a global <sup>1</sup>phenomenon that expresses pronounced deprivation in well being of people.<sup>2</sup> It exists where people are deprived of the means to satisfy their basic needs that are mandatory to their survival. Poverty breeds unbridled crimes and moral degradation, frustration and bribery, malnutrition and infectious diseases so on and so forth. Thus aspirations of the deprived people never materialize throughout their lives and their sufferings end with

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their deaths while the rich led luxurious lives and enjoy every kind of facility. Interestingly sociologists, economists and philosophers view poverty differently from each other. Poverty has many faces, changing from place to place and across time, and has been described in many ways. However, in my view poverty cannot be described it can only be felt. The dominant worldview of poverty that has attained much attention in poverty literature regards absolute and relative poverty center of debate. *Absolute poverty* means the absolute deprivation or starvation. For many people in developing countries, acute poverty means difficulty in making a living, as well as a lack of basic services in education and health. *Relative poverty*, on the other hand, refers to a low standard of living as compared to the average standard. Another worldview of poverty is moral poverty. It goes beyond material well-being and emphasizes the holding of a value system for equal access to opportunities and egalitarianism. Who knows more about poverty when one is hungry and cannot afford food? One cannot buy clothes for children on festival due to low income, or does not have money to purchase medicine for them. A voice of a poor man from Kenya may help us to understand, what poverty is?

“Don’t ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at the utensils and clothes I am wearing. Look at everything and write what you see? What you see is poverty.”<sup>3</sup>

These impoverished people often suffer from under nutrition and poor health, have little or no literacy, live in environmentally degraded areas, have little political voice, and attempt to earn a meager living on small and marginal farms or in dilapidated urban slums.<sup>4</sup> Hence, poverty may

be denoted as hunger, lack of shelter, being sick and not being able to see a doctor, not being able to go to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom. Amartya Sen in *Development as Freedom*<sup>5</sup> while defining these basic needs include good health, education, social networks, and command over economic resources, and influence on decision-making that affects one's life. Though income is important to help a person to meet basic needs to live out, but it is only a means to live a valuable life. From this perspective, poverty is a condition with many interdependent and closely related dimensions as follow:

- Lack of regular income and employment, productive assets (such as land and housing), access to social safety nets;
- Lack of access to services such as education, health care, information, credit, water supply and sanitation;
- Lack of political power, participation, dignity and respect.

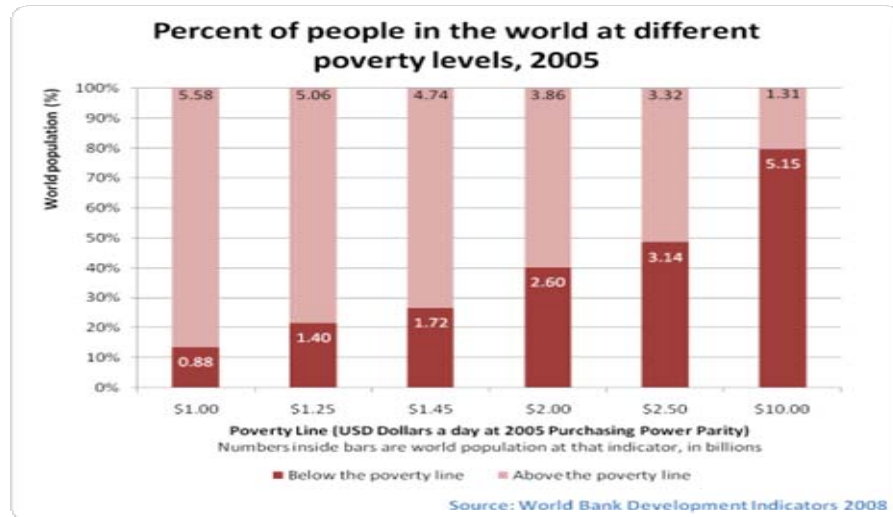
### **Poverty Around the Globe- Facts Sheet**

Poverty is the state for the majority of the world's people and nations. One may find high levels of inequality and find most of humanity living on just a few dollars, irrespective of one live in the wealthiest nations or the poorest one. Some of the poverty related facts flashed on the web site of Global Issues Organization<sup>6</sup> suffice to serve as eye opener for most of us who cares humanity:

- Almost half the world, over 3 billion people live on less than \$2.50 a day.

- The GDP of the 41 heavily indebted poor countries (567 million people) is less than the wealth of the world's 7 richest people combined.
- More than 80 percent of the world's population lives in countries where income differentials are widening.<sup>7</sup>
- The poorest 40 percent of the world's population accounts for 5 percent of global income. The richest 20 percent accounts for three-quarters of world income.<sup>8</sup>
- Around 27-28 percent of all children in developing countries are estimated to be underweight or stunted. The two regions that account for the bulk of the deficit are South Asia and sub-Saharan Africa.<sup>9</sup>
- Nearly a billion people entered the 21st century unable to read a book or sign their names. Less than one per cent of what the world spent every year on weapons was needed to put every child into school by the year 2000 and yet it didn't happen.<sup>10</sup> Based on enrolment data, about 72 million children of primary school age in the developing world were not in school in 2005.<sup>11</sup>
- Less than one per cent of what the world spent every year on weapons was needed to put every child into school by the year 2000 and yet it didn't happen.
- 1 billion children live in poverty (1 in 2 children in the world).
- 640 million live without adequate shelter,
- 400 million have no access to safe water; 270 million have no access to health services.
- 10.6 million died in 2003 before they reached the age of 5 (or roughly 29,000 children per day).

Though academically poverty is measured on the basis of income and the consumption level, but in real terms it includes much more; hunger, poor state of basic civic provisions, lack of medical treatment, non accessibility to electricity, water supply, children education, and deprivation of other essential needs and opportunities which any human being is supposed to be entitled to make its living leads to the development of poverty phenomenon. Aristotle once remarked, “Wealth is evidently not a good we are seeking for, it is merely useful for the sake of something else. In spite of rapid economic growth over the past half century, extreme poverty remains a constant phenomenon world over though it has more widely spread in the developing world. More than 1.2 billion people live on less than \$ 1 per day at purchasing power parity and more than 2.8 billion – almost half the world population – live on less than \$ 2 a day.



### Poverty in Pakistan

The magnitude and extent of poverty in any country depends upon two factors, the average level of national income, and degree of inequality in

its distribution. Here income means the minimum income required to purchase those items that society considers essential to maintain reasonable living, the minimum level required to avoid inhumane living conditions. It is normally presumed that lower the average income or more the unequal distribution of the wealth the greater the incidence of poverty. Pakistan is the classical testing ground to measure the phenomenon where the level of national per capita income is low, exists grave level of inequality in economic means of living, rapidly increasing population with minimal level of technical and professional education, economy with high rate of inflation and unemployment, these all ultimately give birth to poverty.<sup>12</sup>

Pakistan is one of the developing countries facing the extreme level of poverty having more than one third of its populace living below the poverty line. In Pakistan, for instance, the persons who earn income which cannot meet the daily intake of about 2350 calories per person are considered to fall below the poverty line. In Pakistan, lack of access to credit, training in income-generating activities, basic social services and infrastructure are critical factors behind the persistence of substantial poverty, especially in under-served rural and urban areas. UNDP in its *Human Development Report -2008* places Pakistan at 136th position<sup>13</sup> among 177 developing countries of the world. The country hosts more than 2.4 million Afghan refugees. Various forms of poverty prevail in Pakistan and more than 73 percent of the population lives on less than US\$2 per day. Pakistan, when measured on income poverty, it ranked below than all Central Asian States and even South Asian states less Nepal and Bangladesh.<sup>14</sup> Pakistan government spent over 1 trillion Rupees (about \$16.7 billion) on poverty alleviation programs during the past four years, cutting poverty from 35 percent in 2000-01 to 24 percent

in 2006.<sup>15</sup> Already meager level of socio-economic development in Pakistan is further squeezed in manifolds in rural areas as compare to major urban areas. Poverty line has once again remerged to above 37% of Pakistan's over 16.7 billion people with the start of 2009.

HDI value	Life expectancy at birth (years)	Adult literacy rate (% ages 15 and older)	Combined primary, secondary and tertiary gross enrolment ratio (%)	GDP per capita (PPP US\$)
1. Iceland (0.968)	1. Japan (82.3)	1. Georgia (100.0)	1. Australia (113.0)	1. Luxembourg (60,228)
134. Comoros (0.561)	121. Bhutan (64.7)	122. Mauritania (51.2)	156. Ethiopia (42.1)	125. Papua New Guinea (2,563)
135. Ghana (0.553)	122. Bolivia (64.7)	123. Timor-Leste (50.1)	157. Papua New Guinea (40.7)	126. Ghana (2,480)
136. Pakistan (0.551)	123. Pakistan (64.6)	124. Pakistan (49.9)	158. Pakistan (40.0)	127. Pakistan (2,370)
137. Mauritania (0.550)	124. Comoros (64.1)	125. Côte d'Ivoire (48.7)	159. Senegal (39.6)	128. Angola (2,335)
138. Lesotho (0.549)	125. India (63.7)	126. Nepal (48.6)	160. Côte d'Ivoire (39.6)	129. Guinea (2,316)
177. Sierra Leone (0.336)	177. Zambia (40.5)	139. Burkina Faso (23.6)	172. Niger (22.7)	174. Malawi (667)

Source: Table 1: Pakistan's human development index 2005

Similarly, UNDP also provides the Human Poverty Index (HPI-1) that focuses to measure severe deprivation in health, adult illiteracy rate, people without access to an improved water source and underweight children. Table 2 below shows the values for these variables for Pakistan that ranks 77<sup>th</sup> among 108 developing and compares them to other countries.

**Table: 2- Human Poverty Indicators for Pakistan**

Human Poverty Index (HPI-1) 2004	Probability of not surviving past age 40 (%) 2004	Adult illiteracy rate (% ages 15 and older) 2004	People without access to an improved water source (%)2004	Children underweight for age (% ages 0-5) 2004
1. Barbados (3.0)	1. Iceland (1.4)	1. Estonia (0.2)	1. Thailand (1)	1. Czech Republic (1)
75. Madagascar (35.8)	116. Sao Tome and Principe (15.1)	147. Mauritania (48.8)	37. Antigua and Barbuda (9)	119. Chad (37)
76. Eritrea (36.0)	117. Comoros (15.3)	148. Timor-Leste (49.9)	38. Belize (9)	120. Burkina Faso (38)
77. Pakistan (36.2)	118. Pakistan (15.4)	149. Pakistan (50.1)	39. Pakistan (9)	121. Pakistan (38)
78. Rwanda (36.5)	119. Bolivia (15.5)	150. Côte d'Ivoire (51.3)	40. Panama (10)	122. Ethiopia (38)
79. Malawi (36.7)	120. Solomon Islands (16.1)	151. Nepal (51.4)	41. Nepal (10)	123. Lao People's Democratic Republic (40)
108. Chad (56.9)	173. Zimbabwe (57.4)	164. Burkina Faso (76.4)	125. Ethiopia (78)	134. Bangladesh (48)

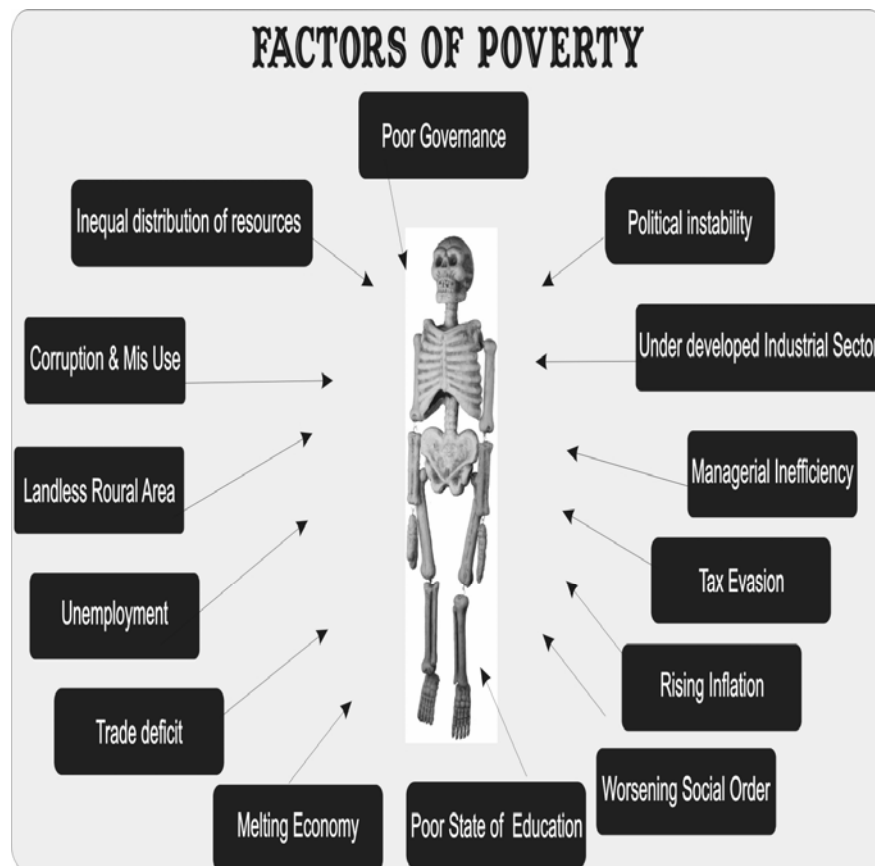
Source: *UNDP Human Development Report-2005*, "Table 2: Selected indicators of human poverty

### **Pakistan: Causes of Poverty**

Poverty in Pakistan, in my opinion, is too constant and too complex, and cannot be restricted to few factors shown in diagram below. There are many interrelated factors that contribute to poverty in developing nation like Pakistan. Poor governance is the key underlying cause of poverty in Pakistan. The most commonly enumerated causes in this regard include overpopulation, high living cost, rising unemployment, inadequate education, environment degradation, unequal distribution of resources



especially agricultural land etc. However, economic vulnerability is a key factor that leads to social powerlessness, lack of adequate health care political disenfranchisement, everyday harassment and ill-functioning and distortionary institutions. Economic and social factors such as the slowdown in GDP growth in the last decade, and the persistence of a regressive social structure, stemming from the highly unequal distribution of land, have also contributed manifold to the increase in poverty.<sup>16</sup> However, issues of good governance<sup>17</sup> and degeneration of socio-economic institutions are the foremost reasons. General factors considered to be the cause of poverty are:



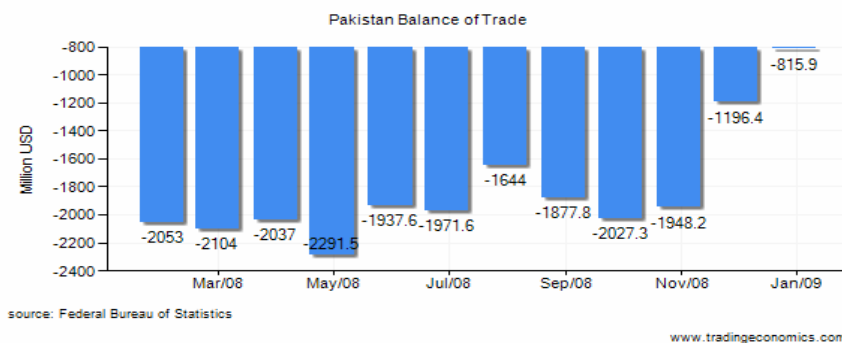
**Poor Governance:** Good governance is an essential pre-condition for pro-poor growth as it establishes the enabling regulatory and legal framework essential for the sound functioning of land, labor, capital and other factors of market. Whereas, good governance is considered to be non-existent in Pakistan and poor governance is taken one of the key underlying causes of poverty in Pakistan. Poor governance has not only enhanced vulnerability, but is the prime cause of low business confidence, which in turn translates into lower investment levels and growth. The effects of poor governance serve to reinforce the adverse impact of structural factors. The existence of pervasive poverty, wherein a significant proportion of the population remains poor over an extended period of time is strongly linked with the ability of the government to ensure good governance. Beset with the threat of terrorism which is eroding the very foundations of the state, Government's focus on the subject is blurred and the effort half hearted. Governance problem has also resulted in inefficiency in provision of social services, which has had serious implications for human development in the country. Resultantly, lack of public confidence in state institutions, including the police and judiciary, have eroded their legitimacy and directly contributed to worsening conditions of public security and law and order during the past decade.

**Political Instability:** Political stability is fundamental to the creation of an enabling environment for growth and development. Economic agents, particularly investors, must be reassured with regard to the continuation of policies, should have confidence in the government's credibility in order to operate effectively, and in the case of investors, be induced to take risks. The perceived security threat on its eastern border that has dominated Pakistan's political culture has resulted in the domination of

the military in politics, excessive public spending on defense at the expense of social sectors, and erosion of the rule of law. Politically, Pakistan has alternated with regularity between democratic and military governments. All these factors have in turn affected growth, and subsequently poverty levels in the country. In general, political instability and macroeconomic imbalances have been reflected in poor creditworthiness ratings, even compared to other countries of similar income levels, with resulting capital flight and lower foreign direct investment inflows.

**Trade Deficit Dilemma & Melting down of Economy:** Economic factors have also contributed in making life difficult for all sections of society except the very rich. Decline in the Gross Domestic Product (GDP) growth rate is the immediate cause of the increase in poverty. According to the latest data released by the State Bank, GDP is unlikely to grow by more than 2 per cent this year. The rupee has slumped by more than 30 percent against the US dollar since the beginning of 2009 and share prices have crashed by 40 percent since their all-time high in April. Most of the inflows other than workers remittances were nearly dried up. By the end of October 2008 wrecked by political instability and hard hit by ever deepening global financial crisis Pakistan was at the verge of bankruptcy. The country's foreign reserves had fled out of the country and around \$4.5 billion were left behind to pay for only six weeks of imports. After failing from obtaining funds/ any kind of financial support from China, Saudi Arabia and other Friends of Pakistan, we were constrained to bow before IMF for assistance. IMF 1<sup>st</sup> tranche of \$3.1 billion helped Pakistan to stabilize its foreign reserve in order to meet the imports bill. The strings attached with these bitter pills such as; an end to price subsidies, tighter monetary policy and other

austerity measures would lead to further price hike and squeeze the already meager share of public spending. War on terror and Pakistan Army's stepped up operation on the ever widening front has cost Pakistan over 21 trillion Rupees with loss of 260 billion in 2005, 301 billion in 2006, 484 billion in 2007, and 678 billion in 2008.<sup>18</sup> Last quarter of 2008 Pakistan was virtually facing a worst socio-economic crisis that include food and energy shortages, escalating fuel costs, a sinking currency and a massive flight of foreign capital accelerated by an escalating insurgency. No money, no energy, no food, no water, no government. The dooming economy was further axed by the Benazir Income Support Program to the amount nearly 50 billion rupees. Though Pakistan succeeded in avoiding default, however 2009 confronts a looming economic and political crisis. The graph below suffices to depict the alarming state of Pakistan's balance of trade to support our contentions:



The burgeoning debt burden and declining competitiveness of the Pakistan economy in the increasingly skill-based global economy are making a significant contribution in the worsening economic situation. While the former occurred due to economic mismanagement, the latter was because of Pakistan's low level of human development. With regard

to the debt burden, increasing debt service requirements has resulted in a growing fiscal squeeze. This is forcing a decline in the proportion of GDP that can be spent on development and social sectors. The poor law and order situation has led to flight of capital as well as private sector investment. At the same time, reduction in tariffs, exhaustion of simple import substitution opportunities, and elimination of export subsidies means that international competitiveness is an increasingly important determinant of investment opportunities in Pakistan. Because of the low level of human development, lack of political stability, and poor state of physical infrastructure, areas of the economy where Pakistan is still competitive are not many.

**Lack of Education & Rampant Illiteracy:** The country's education indicators portray a dismal picture when compared with other countries at the similar level of GDP per capita. More specifically, the public expenditure on education as percent of GNP have been around 2% in Pakistan compared to other (low income) countries of the region. Since, foundation of any development in socio-economic sector is corollary to the level of education / skills of its human capital therefore, general perception that one of the main causes of the poverty in Pakistan is pitiable state of education across the country. More than half of the population can not read and write and substantial number of people do not have any concept about the modern earning techniques. Most people are unable to adopt technology to enhance agriculture/ business yield thereby ending up far below the productivity targets and revenue decline. Resultantly, decrease in revenue leads the society to poor financial conditions and leaving no room for allocating adequate fund for education sector. The persistent refrain has been that Pakistan devotes less than two per cent of its annual GDP to education while most other

countries, even in South Asia, allocate at least three to seven per cent. The already meager amount of the fund is further subjected to misuse, coupled with mismanagement and malpractices. Indeed, the quality of education can be improved with in the allocations up to large extent provided proper use is made of allocated funds. Furthermore, blaming lack of education as main reason of poverty seems exaggeration. Because, over the past fifteen years, the proportion of the population living under extreme poverty in Pakistan has risen from 13 to 33 percent but illiteracy has declined during this period. Therefore, the explanation for the increase in poverty in Pakistan cannot be wholly attributed to illiteracy.

**Landlessness in Rural area:** Being from an agricultural country, most of the people of Pakistan have farming as their primary source of living. This source is shrinking with the division of lands amongst the family members and depriving honorable way of living to the families- once well of. Only 37% of rural households own land and around 35 million people in rural areas are poor- representing about 80% of Pakistan's poor.<sup>19</sup> Hence, rural poverty is found to be strongly correlated with lack of asset in rural areas. Poverty estimates using official poverty line suggest the high prevalence of rural poverty ranging from 39 percent to 48 percent in all provinces. The incidence of landlessness is common in rural areas. About 67 percent households own no land in the country. Unusually, just 0.3 percent households own 55 and above acres of land across the country, suggesting a highly skewed landownership pattern. The unequal land ownership in the country is found to be one of the major causes of rural poverty, as poverty level was the highest among the landless households followed by non-agriculture households. Gini Coefficient of landholding suggests that Punjab has the most unequal

landownership pattern, followed by the NWFP, Sindh, and Balochistan. The highly unequal land distribution seems to have resulted in tenancy arrangements resulting in high prevalence of absolute poverty particularly in Sindh. Though alleviating poverty in rural areas has always been a focal priority agenda of economic reforms of almost all of the Pakistani governments since the 1990 but the rural poverty continued rising without any worthwhile respite. The causes of rural poverty are complex and multidimensional. Further, persistent load shedding of electricity and water, and highly escalated fuel prices has negatively affected agriculture yield. Being an agriculture country, our economy has to be agriculture centered. Therefore, main stay of our exports has been on rice, cotton etc or other value added product to decrease its foreign trade deficit. But during the last many years Pakistan's performance in agriculture sector remained dwindled without any consistency and the worst year was 2008.<sup>20</sup> The shortfall in cotton crop compelled textile industry to spend 1.291 billion US\$ to import 4.6 billion bales to meet its requirement.<sup>21</sup> The most alarming aspect is the declining trend in agriculture growth that ranged from 1.5% to 6.5% during the last six years thereby threatening our food security.<sup>22</sup> Instead of giving boost to export and add to our current account Pakistan's total imports for food group are reported at \$4.21 billion in 2008 against 2007 imports of \$2.74 billion.<sup>23</sup>

**Non-Transparency in Resource Allocation:** The lack of transparency in public sector planning, budgeting and allocation of resources in Pakistan has been the hallmark of our financial resource planners and policy makers. Political or the ruling leadership has never responded to the real needs of the populace and accountable to the promises they made with the public. Resultantly, without having regards of the real

stakeholders or the potential beneficiaries, the priorities for the development were determined by the bureaucracy following the supply driven approach –having no concern for the demand / needs of the citizens. Such an attitude in managing public accounts has led to a distortion of development priorities and a tendency to safeguard the interests of specific groups at the expense of the larger public interest.

**Corruption & Corrupt Practices:** Corruption is one of the most dangerous factor that eroded Pakistan's economic and governance system since its inception. The corruption and corrupt practices are not restricted to public servant only rather, social dishonesty and irresponsible behavior of people as well. Every one tries to become rich in nighttime by using unfair means. A shopkeeper is ready to get whole money from the pocket of customer. People doing jobs are not performing their duties well. People, who do not pay taxes or continuously violate the laws, are considered brave and respectful. Transparency International in its first ranking of corrupt states, in 19945, placed Pakistan amongst the five most corrupt states (with 2025 score) out of the 41 states graded for the purpose. And in 2008, Pakistan is ranked as the 46th most corrupt country out of the 180 countries of the world and its Corruption Perceptions Index Score (CPI) is 2.5. The persistently rampant corruption in Pakistan not only jeopardizes its resolve to fight against poverty rather adding to the menace of poverty from all direction. Corruption is perceived to be pervasive - creating a culture of lawlessness and lack of credibility and trust in authorities. Public institutions are often politicized and peace, social justice, merit and public trust and credibility are the victim of this game. In this whole scenario some corrupt people has been occupying the resources and common man is living in miserable conditions. Rising inflation forcing



people to sell family members, turn to crime. The selling of kidneys was very common in Pakistan. But in recent years there has been a sudden increase in suicide attempts. Table below showing Pakistan's ranking in CPI may serve eye openers for all those who are looking to see Pakistan an emerging regional power and politico-economic stable and welfare state:

**Pakistan's Rankings in Corruption Perceptions Index Score: 1995-2008**

Year	CPI Score	Pakistan's Relative Ranking	Total Countries in the Ranking	Position Amongst the Most Corrupt States
1995	2.25	39	41	3 <sup>rd</sup>
1996	1.0	53	54	2 <sup>nd</sup>
1997	2.53	48	52	4 <sup>th</sup>
1998	2.7	72	85	13 <sup>th</sup>
1999	2.2	88	99	11 <sup>th</sup>
2000	No Survey	No Survey	No Survey	No Survey
2001	2.3	79	91	12 <sup>th</sup>
2002	2.6	77	102	25 <sup>th</sup>
2003	2.5	96	133	37 <sup>th</sup>
2004	2.1	134	145	11 <sup>th</sup>
2005	2.1	146	159	13 <sup>th</sup>
2006	2.2	147	163	16 <sup>th</sup>
2007	2.4	138	180	42 <sup>nd</sup>
2008	2.5	134	180	45

Source: Transparency International, "Corruption Perceptions Index Score".

**Rising Unemployment:** Unemployment is consistently mounting in Pakistan without any relief or pause. The job opportunity and job seekers are becoming worse day by day and the situation has reached at the stage

where ‘who you know’ is replaced with ‘what you know’ as the major criteria for jobs.

Year Est.	Unemployment rate	Percent Change
2003	7.80 %	
2004	7.70 %	-1.28 %
2005	8.30 %	7.79 %
2006	6.60 %	-20.48 %
2007	6.50 %	-1.52 %
2008	5.60 %	-13.85 %

Source: Index Mundi, “Pakistan Unemployment Rate.” Available at:  
[http://indexmundi.com/pakistan/unemployment\\_rate.html](http://indexmundi.com/pakistan/unemployment_rate.html)

Economic recession and production downturn, worsening energy crises, down sizing in industrial sector, squeezing agricultural land, shrinking exports, dwindling law and order situation, have made already remote chances of employment further bleak. Tens of thousands of graduates leaving the universities every year are finding it harder to find a suitable employment.

Administrative Unit	1998 Census			1981 Census
	Both Sexes	Male	Female	
Pakistan	19.68	20.19	5.05	3.1
Rural	19.98	20.40	5.50	2.3
Urban	19.13	19.77	4.49	5.2
NWFP	26.83	27.51	2.58	2.2
Rural	28.16	28.64	4.00	2.0
Urban	21.00	22.34	0.74	3.7
Punjab	19.10	19.60	5.50	3.2
Rural	18.60	19.00	6.00	2.5
Urban	20.10	20.7	4.70	5.0
Sindh	14.43	14.86	4.69	3.3
Rural	11.95	12.26	3.70	1.6
Urban	16.75	17.31	5.40	5.8
Balochistan	33.48	34.14	8.67	3.1
Rural	35.26	35.92	9.81	3.0
Urban	27.67	28.33	5.35	4.0
Islamabad	15.70	16.80	1.70	10.7
Rural	28.70	29.40	8.20	13.5
Urban	10.10	11.00	0.80	9.0

A cursory glance over the last two Census records of 1981 and 1998 would suffice to serve as eye opener that how the gini of the unemployment is going out of our control with every passing year.

**Declining Industrial Output:** In the present age of globalization industry of any country plays a dominant role in socio-economic development of the nation. With the increasing liberalization of free trade in goods and services the significant of the industrial sector can be multiplied manifolds. Pakistan, once an agriculture country, is rapidly loosing its main stay-agricultural strength with every passing day. But, unfortunately Pakistan's policy makers seems to be ignorant or poorly reactive to the emerging situation. Table below derived from World

Bank Reports shows the state of Pakistan's manufacturing sector vis-à-vis growth in other countries:

**Share of Manufacturing in GDP (%)**

	1960	1965	1970	1977	1980	1985	1990	2000	2002
<b>Selected Asian Countries</b>									
Pakistan	12	14	16	16	16	18	17.6	16.7	18
Indonesia	8	8	10	9	13	24	21	26	25.06
Malaysia	9	9	12	18	21	29	24	28	30
Korea	12	18	21	25	28	30	29	33	41
<b>Developed Countries</b>									
Sweden	27	28	-	24	-	-	-	26	28.2
Germany	40	-	38	38		-	26	28	29.6
UK	32	30	33	25	-	-		25	26.4
Japan	33	32	36	33	29	-	28	24	32.3

Serious energy shortage, massive electricity failure from KESC and WAPDA, long spells of load-shedding and falling oil reserves have brought down our production level and economy to the worsening ebb. Pakistan's already weak production base has been further hit hard by the energy crisis. The load shedding in the country, during the last one year in particular, has played havoc with the industrial sector, as textile, plastic, steel and other units have suffered heavily. Around 25 percent of textile units have been closed because of shortage of electricity while still a number of units are likely to be closed. Out of around 1,200 textile units, 300 mills including spinning, weaving and ginning are closed in Punjab while almost same numbers of mills are facing grave problems. It has caused severe problems in production cycle and resolutely the cost of production increased. The export target \$19.2 billion set for 2007-08

went with the short fall of around 30% and the situation of 2009 is expected to be worst if the current power shortage persists any further. The reduction in poverty is largely hinges upon protection of domestic consumer through smooth running of the industry and if the industry of the country is facing closure threat, Pakistan would not be able to alleviate menace of poverty.

**Miscellaneous Causes:** There are number of other causes which could not be deliberated upon due to the paucity of space and scope of this paper. The most important ones are listed below:

- *Law and order situation* in Karachi, Balochistan and other parts of the country supplemented with war against terror has retarded Pakistan production process. The worsening situation is affecting the social order as a whole and adding to uncertainties in business circles, resultantly stock markets are crumbling, investors are loosing and uncertain increase in commodity prices is leading to poverty for common man.
- *Privatization* is yielding opposite results then the intended ones. National assets are going in to foreign hands, companies are monopolizing their ownership and common consumers are being exploited and charged heavily. Performance of KESC has gone further down and people of Karachi are being asked to pay more against the poor services marred with long spells of load shedding/ power shortage after the privatization. Similarly gas prices in the country have shot up after privatization of some of the gas plants.
- *Declining Foreign Investment:* Owing to number of factors Pakistan has not been able to attract needed level of FDI despite its pro liberalization and investor friendly policies. These factors

include; political instability, rising trend in terrorism, social disorder and unsatisfactory law and order situation particularly in the, city of Karachi, the largest industrial and commercial centre and the only port of the country. These causes have been further reinforced by the inconsistent economic policies, inadequate infrastructure, low level of skilled/ educated work force and slow bureaucratic culture are playing discouraging role for the investors to come and invest in Pakistan. .

- *Rising Trend in Inflation:* Inflation in prices of every item of goods and service in Pakistan has been sky rocketing for the last few years but the current year is setting new records in this regard. This phenomenon has rapidly undermined the purchasing power of low income groups though the price hike in every consumable and non-consumable item has direct or indirect price shocks for the low-income families but the food and energy price shocks have serious impacts on the poverty environment in rural and urban areas. The recent revision in domestic prices of petroleum products, cost of fertilizers and electricity has kicked up the Sensitive Price Index to the frightening rate of 24 per cent.<sup>24</sup> Furthermore, food price inflation can lead to significant increases in Pakistani poverty levels. Hoarding by speculating millers and retailers and breakdown of the joint family system has put in low economic class at greater risk. Resultantly, substantial portion of the Pakistan's population is considered to be food insecure.
- *Population Growth:* Due to rapidly increasing population the problem of food shortage in most developing countries are compounded by inadequate provision of basic services such as

health and sanitation facilities, shelter and safe drinking water, also lack of education and increasing unemployment. Owing to shrinking developmental funds visa vise population growth. Resultantly the phenomenon gives further rise to the poverty line upward.<sup>25</sup>

### **Consequences & Response**

Poverty is a global phenomenon that's psychological effects are more than socio- economic implications. Poverty and ignorance is a very dangerous combination. It can trap people in inescapable circles and could lead to frustration and despair. It not only makes one vulnerable to disease and suffering but to all kinds of exploitations. The reign free price hike and poverty in Pakistan has led to rampant desperation leading to suicide and selling out of body parts. Because of the high rate of inflation, inadequate education and unemployment, a person's inability to support himself or his family, is a predominant reason for suicide.<sup>26</sup> Few of the incidences in consequence of poverty are appended below:

- In June 2008, a woman in Lahore committed suicide with her two children<sup>27</sup> by throwing herself in front of train.<sup>28</sup>
- Few month back new papers carried a head line that an unidentified person left his six children aged between one and 13 years at a charity home in Lahore reportedly because of poverty and starvation.

The biggest developmental challenge facing Pakistan is how to meet the Millennium Development Goal (MDG) of bringing down the incidence of poverty from current level of poverty 37% to 18% by 2015. Whereas, our experience so far shows that it is quirt easy to relapse into higher incidence of poverty but it is quite an uphill battle to recover the lost

ground.<sup>29</sup> However, alleviating poverty may be difficult but by no means it is impossible. Because, it is man made and not natural like slavery and apartheid, therefore, it can be over come and eradicated.<sup>30</sup> The need is not for one or two isolated policies but for a comprehensive package of complementary and supportive policies to tackle the problem. Building a more widespread commitment to overcoming poverty is an essential first step in overcoming poverty, and some of the actions to address this could be:

- A policy or a set of policies should be designed to ensure economic growth in the country because higher economic growth rate and poverty reduction are strongly correlated. However growth is necessary but the sufficient condition for poverty reduction. Growth has to be accompanied by many other essential policy measures.
- Seeing the disappointing results of Khushal Pakistan Program that failed in increasing employment opportunities and providing essential infrastructure by building farm-to-market roads, rehabilitating water supply schemes, and repairing existing schools, drains, and streets, Pakistan with meager financial resources has to be very meticulous before initiating another such venture. It is observed that large-scale pilferage of funds and other irregularities because of institutional inefficiency caused a collapse of the program.
- Politically motivated programs like Benazir Income Support Program are likely to add frustration amongst the poverty-ridden communities because of its much-discriminated outlook hence seems to be missing the desired beneficiaries. However, the Income Support Program during the next four years or so may be



able to make any dent in the poverty figures, if properly linked with other on going programs targeting poverty alleviation.

- If government aims to reduce widespread poverty via a sustainable growth accelerating strategy, it must focus fundamentally on providing access to the quality education to the children of poor families. To provide schooling to this large pool of out of school children, spending on basic education should be gradually increased from the lowest in the south Asian region around 2% of GDP to at least 4% of GDP during the next three years. Similarly, the absenteeism of teachers should be overcome through strict monitoring and supervision and introducing accountability in the system. However, in view the paucity of government funds, and acknowledged weaknesses in implementation of development programs, the government could also look to facilitating and strengthening the non-profit organizations in private sector, to complement the public sector programs, to maximize the provision of quality education to the children from poor families.
- Government should take some strong measures for human development program like education, health, employment opportunities, sanitation, nutrition and population etc. government has to establish technical and vocational training centers whereby our youth get some practical training and may be able to find job for themselves. For the expansion of education government should assist the private sector and non-profit organizations.
- Another important element of the strategy is to improve the living standard of masses and to modify the equal distribution of

income to the gross root level. The government has discouraged the formation of micro finance institutions for those who are land less and without any tangible assets. The weak and vulnerable segment of the society has to be supported by social safety nets and transfers such as zakat and bait-ul-maal etc. Politically motivated program like Bay Nazeer Income Support should be carefully executed and all efforts should be made to prevent any leakage or pilferage of much needed capital.

- It would not be wrong to say that Pakistan's socio- economic development has been a victim of corruption and corrupt practices. Corruption, both in government and business has placed heavy cost on Pakistani society and there is a need to follow fair, transparent and follow moral and ethical codes of conduct banning corruption in both, public and private sectors. Public representatives in the Parliament must debate the poverty-targeted policies and try to unearth reasons that led to failure of previous schemes launched to alleviate poverty. The debate would help prevent leakages and misappropriation of scarce resources in future. We must demonstrate resolve that we have learnt from our past mistakes and that our each step taken further is accountable. If Pakistan's government and its policy makers are determined to achieve Millennium Development Goals (MDGs) with regards to poverty alleviation then such resolve with high degree of commitment needs to be reiterated by the Parliament in respect of the Benazir Income Support and other poverty alleviation programs.
- It would be appropriate to say that mother root cause to all the causes of poverty in Pakistan is poor governance at public and

corporate sector both. Shortsighted policies and wrong priorities have led the menace of poverty like a spiral growth. Unless institutional efficiency is enhanced and the participation of communities ensured, past experience indicates that public resources will continue to be mismanaged. Before making any new allocation or throwing away money in new ventures on the name of poverty alleviation, there is a dire need that we must identify different target sectors under various categories such as human development, community services, rural development, safety nets and governance on the basis of any objective assessment without any political or party/ government affiliations. Government must fulfill its obligation of spending at least 4.5% of the GDP on pro-poor sectors under the Fiscal Responsibility Law 2005. Pakistan must work to honor the pledge of '20/ 20 initiative' made along with the international community. The initiative calls for raising adequate resources through taxation and committing 20% of national budgets and 20% of foreign aid on improving universal access to the key human services.

- A well thought out set of policies should be designed to correct market disequilibrium. Correcting distorted prices should contribute to productive efficiency, employment opportunities and less poverty.
- There is dire need to have a fresh insight on our policies and programs controlling international trade, population growth, agriculture and energy sector reforms and readjust our fiscal and monetary policies accordingly.

### Conclusion

Those, over 37% living below the poverty line in Pakistan's present a depressing challenge for our socio-political gurus and economic managers. Poverty in Pakistan can only be alleviated by sharpening the human capital by improving literacy and investing in skill development, good governance, community empowerment, long term economic growth, socio- political justice and real term democratic culture. The international community under the guise of Friends of Pakistan on 17<sup>th</sup> April 2009, at Tokyo rallied to support Pakistan's economic program with more than US\$5 billion in funding designed to meet its immediate needs and protect expenditures on safety net and human development initiatives critical for poor people. The amount exceeded initial expectations and offers strength and opportunities to Pakistan's politico-economic managers to march towards poverty free Pakistan. Pakistan has been experiencing many serious problems. It cannot be expected for everything to be fixed overnight. It is very important though to establish goals and set up priorities. What is needed most is a stable democratic government, basic essentials for all, access to proper education and healthcare and social justice for all in stable social order.

## End Notes

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<sup>2</sup>.Michael P.Todaro and Steshen C.Smith, *World Development Report 2000-01*, “Economics Development”, pp85-86

<sup>3</sup>.Michael P.Todaro, Steshen C.Smith, *Economics Development*, “Voice of the Poor “ pp41

<sup>4</sup>.Michael P.Todaro and Steshen C.Smith, *Economics Development* – pp229

<sup>5</sup>.Amartya Sen, *Development as Freedom* (New York, Alfred A. Knopf, 1999), p. 87.

<sup>6</sup>.<http://www.globalissues.org/>

<sup>7</sup>.*2007 Human Development Report* (HDR), United Nations Development Program, November 27, 2007, p.25

<sup>8</sup>.Ibid

<sup>9</sup>.Ibid.

<sup>10</sup>.*State of the World’s Children, 2005*, UNICEF

<sup>11</sup>.*2007 Human Development Report*, opcit, p.25

<sup>12</sup>.Ibid, - pp85-86

<sup>13</sup>.See: <http://hdrstats.undp.org/indicators/17.html> ( Retrieved on 19th November 2008)

<sup>14</sup>.Income poverty refers to the share of the population living on less than \$1 a day.

<sup>15</sup>.CIA - The World Factbook - Pakistan. Available at:

<https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html> (12-1-2009)

<sup>16</sup>. [http://www.adb.org/documents/reports/poverty\\_pak/chapter\\_3.pdf](http://www.adb.org/documents/reports/poverty_pak/chapter_3.pdf)

<sup>17</sup>.Governance is defined as the manner in which power is exercised in the management of a country's social and economic resources for development.

<sup>18</sup>.*Daily Nawai Waqt*, Rawalpindi, 15<sup>th</sup> November, 2008

<sup>19</sup>.World Bank, “Pakistan: Promoting Rural Growth and Poverty Reduction”

<sup>20</sup>.Mansoor ahmad, “Survey Highlights Flaws in agriculture system”, *The News*, 11<sup>th</sup> June, 2008.Also see Pakistan Economic Survey 2007-2008

<sup>21</sup>.Nasir Jamal, “Crop Target Missed”, *Dawn*(Economic& Business Review), Islamabad, September 22-28, 2008

<sup>22</sup>.*Pakistan Economic Survey 2007-2008*, p.vii

<sup>23</sup>.*The News*, Islamabad, July 25, 2008

<sup>24</sup>.Shahed Karda, “Pakistan and global food prices”. Available at: <http://www.independent-bangladesh.com/features/pakistan-and-global-food-prices.html>

<sup>25</sup>.Mohibul Haq Sahibzada, “Poverty Alleviation in Pkaistan: present scenario and future strategy”. Available at: [http://findarticle.com/p/articles/Mi\\_6778\\_/is\\_/ai\\_n2870/39](http://findarticle.com/p/articles/Mi_6778_/is_/ai_n2870/39)

<sup>26</sup>.Statistics compiled on suicides reveal that 153 committed this act in 1996 while according to human rights commission of Pakistan (HRCP), more than 1000 have committed this act between January and May 2008and additional 562 unsuccessfully attempted to kill themselves

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<sup>27</sup> .“Poverty Drives rickshaw driver to sell kidney .”. *Daily Time*, 28/09/2008.  
Available at:

[http://www.dailytimes.com.pk/default.asp?page=2008%5c09%.5c08% c story\\_28\\_9\\_2008\\_pg 7-13](http://www.dailytimes.com.pk/default.asp?page=2008%5c09%.5c08% c story_28_9_2008_pg 7-13).

<sup>28</sup> .Police said that the woman carried a bag containing a suicide note that clearly implied that she had taken this drastic measure due to poverty.

<sup>29</sup> .Ishrat Hussain, “ Poverty Reduction Strategy of Pakistan– Former Governor SBP”

<sup>30</sup> .Nelson Mandela on the 20<sup>th</sup> anniversary of “International Day for Eradication of Poverty, 17<sup>th</sup> October 2007”. Available at: [http://www.stain\\_against poverty.org/en/about.faq](http://www.stain_against_poverty.org/en/about.faq).

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